

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 43	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2015 - * 099 Amendment No. (req. for Amendments *)
----------------	--	--

Filing by Chicago Board Options Exchange  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule <input type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(5) <input type="checkbox"/> 19b-4(f)(3) <input type="checkbox"/> 19b-4(f)(6)		

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
---	---

**Description**  
Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

**Contact Information**  
Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \*  Last Name \*   
 Title \*   
 E-mail \*   
 Telephone \*  Fax

**Signature**  
Pursuant to the requirements of the Securities Exchange Act of 1934,  
  
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.  
(Title \*)

Date  Counsel   
 By    
 (Name \*)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

**Form 19b-4 Information \***

Add Remove View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

Add Remove View

Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

Add Remove View

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

**Item 1. Text of the Proposed Rule Change**

(a) Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) proposes to list and trade options that overlie a reduced value of the FTSE China 50 Index (“China 50 Options”). FTSE options would be A.M., cash-settled contracts with European-style exercise. The text of the proposed rule change is provided in Exhibit 5.

(b) Not applicable.

(c) Not applicable.

**Item 2. Procedures of the Self-Regulatory Organization**

(a) The Exchange’s President (or designee) pursuant to delegated authority approved the proposed rule change on October 29, 2015.

(b) Please refer questions and comments on the proposed rule change to Joanne Moffic-Silver, Executive Vice President, General Counsel, and Corporate Secretary, (312) 786-7462, or Kyle Edwards, (312) 786-7304, Chicago Board Options Exchange, Incorporated, 400 South LaSalle, Chicago, Illinois 60605.

**Item 3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

(a) Purpose

The purpose of this proposed rule change is to permit the Exchange to list and trade options that overlie a reduced value of the FTSE China 50 Index (“China 50 options”). China 50 options would be A.M., cash-settled contracts with European-style exercise.

**FTSE China 50 Index Design, Methodology and Dissemination**

The FTSE China 50 Index is a free float-adjusted market capitalization index that

is designed to measure the performance of 50 of the largest and most liquid Chinese stocks (H Shares<sup>1</sup>, Red Chips<sup>2</sup> and P Chips<sup>3</sup>) listed and trading on the Stock Exchange of Hong Kong (SEHK).<sup>4</sup>

The FTSE China 50 Index was launched on April 19, 2001 and is calculated by FTSE International Limited (“FTSE”), which is a provider of investment support tools. The FTSE China 50 Index is calculated and published on a real-time basis in Hong Kong dollars during Hong Kong trading hours. The methodology used to calculate the FTSE China 50 Index is similar to the methodology used to calculate the value of other benchmark market-capitalization weighted indexes. Specifically, the FTSE China 50 Index is governed by the FTSE Ground Rules for the FTSE China 50 Index.<sup>5</sup> The level of the FTSE China 50 Index reflects the free float-adjusted market value of the component stocks relative to a particular base date and is computed by dividing the total market value of the companies in the FTSE China 50 Index by the index divisor.

The FTSE China 50 Index is monitored and maintained by FTSE. Adjustments to the FTSE China 50 Index could be made on a daily basis with respect to corporate events

---

<sup>1</sup> H Shares are securities of companies incorporated in the People's Republic of China (PRC) and listed on SEHK. They can only be traded by Chinese investors under the Qualified Domestic Institutional Investors Scheme (QDII). There are no restrictions for international investors.

<sup>2</sup> Red Chip companies are incorporated outside the PRC and traded on SEHK. A Red Chip company has at least 30 percent of its shares in aggregate held directly or indirectly by mainland state entities, and at least 50 percent of its revenue or assets derived from mainland China.

<sup>3</sup> P Chip companies are incorporated outside the PRC that trade on SEHK. A P Chip is a company that is controlled by Mainland China individuals, with the establishment and origin of the company in Mainland China and at least 50 percent of its revenue or assets derived from mainland China.

<sup>4</sup> See FTSE China 50 Index fact sheet (dated August 31, 2015) located at: <http://www.ftse.com/Analytics/FactSheets/temp/a5b0d638-068e-41d9-b169-be9838d8227a.pdf>.

<sup>5</sup> Summary and comprehensive information about the FTSE China 50 Index methodology may be reviewed at: [http://www.ftse.com/products/downloads/FTSE\\_China\\_50\\_Index\\_English\\_.pdf?154](http://www.ftse.com/products/downloads/FTSE_China_50_Index_English_.pdf?154).

and dividends. FTSE reviews the FTSE China 50 Index quarterly (March, June, September and December) according to rules for inserting and deleting companies that “are designed to provide stability in the selection of constituents of the FTSE China 50 Index while ensuring that the [FTSE China 50] Index continues to be representative of the market by including or excluding those companies which have risen or fallen significantly.”<sup>6</sup>

Real-time data is distributed at least every 15 seconds while the index is being calculated using FTSE’s real-time calculation engine to Bloomberg L.P. (“Bloomberg”), Thomson Reuters (“Reuters”) and other major vendors. End of day data is distributed daily to clients through FTSE as well as through major quotation vendors, including Bloomberg and Reuters.

The Exchange proposes to base trading in options on a fraction of the full size FTSE China 50 Index. In particular, the Exchange proposes to list FTSE China 50 options that are based on one one-hundredth of the value of the FTSE China 50 Index. The Exchange believes that listing options on the reduced value of the index will attract a greater source of customer business than if options were based on the full value of the FTSE China 50 Index. The Exchange further believes that listing options on a reduced value of the FTSE China 50 Index will provide an opportunity for investors to hedge, or speculate on, the market risk associated with the stocks comprising the FTSE China 50 Index. Additionally, by reducing the value of the FTSE China 50 Index, investors will be able to use this trading vehicle while extending a smaller outlay of capital. The Exchange believes this should attract additional investors, and, in turn, create a more active and

---

<sup>6</sup> See id.

liquid trading environment.

Initial and Maintenance Listing Criteria

The FTSE China 50 Index meets the definition of a broad-based index as set forth in Rule 24.1(i)(1).<sup>7</sup> In addition, the Exchange proposes to create specific initial and maintenance listing criteria for options on the reduced value of the FTSE China 50 Index. Specifically, the Exchange proposes to add new Interpretation and Policy .02(a) to Rule 24.2, Designation of the Index, to provide that the Exchange may trade China 50 options if each of the following conditions is satisfied: (1) The index is broad-based, as defined in Rule 24.1(i)(1); (2) Options on the index are designated as A.M.-settled index options; (3) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted; (4) The index consists of 45 or more component securities; (5) Each of the component securities of the index will have a market capitalization of greater than \$100 million; (6) No single component security accounts for more than fifteen percent (15%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than fifty percent (50%) of the weight of the index; (7) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the Index; (8) The Exchange may continue to trade China 50 options after trading in all component securities has closed for the day and the index level is no longer widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors, provided

---

<sup>7</sup> Rule 24.1(i)(1) defines a broad-based index to mean an index designed to be representative of a stock market as a whole or of a range of companies in unrelated industries.

that China 50 futures contracts are trading and prices for those contracts may be used as a proxy for the current index value; (9) The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange's current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index; and (10) The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

Additionally, the Exchange proposes to add new Interpretation and Policy .02(b) to Rule 24.2, Designation of the Index, to set forth the following maintenance listing standards for China 50 Options: (1) The conditions set forth in subparagraphs .02(a) (1), (2), (3), (4), (7), (8), (9) and (10) must continue to be satisfied. The conditions set forth in subparagraphs .02(a)(5) and (6) must be satisfied only as of the first day of January and July in each year; and (2) The total number of component securities in the index may not increase or decrease by more than ten percent (10%) from the number of component securities in the index at the time of its initial listing. In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

The Exchange believes that A.M. settlement is appropriate for China 50 options due to the nature of the index that encompasses the Chinese market. The components of the FTSE China 50 Index open with the start of trading on the SEHK at approximately 8:30 p.m. (Chicago time) (prior day) and close with the end of trading on the SEHK at

approximately 3:00 a.m. (Chicago time) (next day). The closing FTSE China 50 Index level is distributed by FTSE between approximately 3:00 a.m. and 4:00 a.m. (Chicago time) each trading day. Thus, between 8:30 a.m. and 3:15 p.m. (Chicago time) the FTSE China 50 Index level is a static value that market participants can access via data vendors.

As a result, there will not be a current FTSE China 50 Index level calculated and disseminated while China 50 options would be traded.<sup>8</sup> However, the E-Mini FTSE China 50 Index future contracts based on the FTSE China 50 Index that trades on CME will be trading during this time period.<sup>9</sup> The Exchange believes that the E-Mini FTSE China 50 Index futures prices would be a proxy for the current FTSE China 50 Index level. Therefore, the Exchange believes that China 50 options should be permitted to trade after trading in all component securities has closed for the day and the index level is no longer widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors, provided that E-Mini FTSE China 50 Index future contracts are trading and prices for those contracts may be used as a proxy for the current index value.

Because the FTSE China 50 Index is comprised of 50 of the largest and most liquid Chinese stocks traded on the SEHK, the Exchange believes that the initial listing requirements are appropriate to trade options on this index. In addition, similar to other broad based indexes, the Exchange proposes various maintenance requirements, which

---

<sup>8</sup> The trading hours for China 50 options are from 8:30 a.m. (Chicago time) to 3:15 p.m. (Chicago time).

<sup>9</sup> The trading hours for E-Mini FTSE China 50 Index Futures are from 5:00 p.m. (Chicago time) to 4:00 p.m. (Chicago time) the following day, Sunday through Friday. See E-Mini FTSE China 50 Index Future Contract specifications located at: <http://www.cmegroup.com/education/files/e-mini-ftse-china-50-index-futures.pdf>. The Exchange believes E-Mini FTSE China 50 Index Futures are an appropriate proxy for China 50 options.

require continual compliance and periodic compliance.

### Options Trading

Exhibit 3 presents contract specifications for China 50 options.

The contract multiplier for China 50 options would be \$100. China 50 options would be quoted in index points and one point would equal \$100. The minimum tick size for series trading below \$3 would be 0.05 (\$5.00) and at or above \$3 will be 0.10 (\$10.00).

Initially, the Exchange would list in-, at- and out-of-the-money strike prices. Additional series may be opened for trading as the underlying index level moves up or down.<sup>10</sup> The minimum strike price interval for China 50 options series would be 2.5 points if the strike price is less than 200. When the strike price is 200 or above, strike price intervals would be no less than 5 points.<sup>11</sup> New series would be permitted to be added up to the fifth business day prior to expiration.<sup>12</sup>

The Exchange would be permitted to list up to twelve near-term expiration months.<sup>13</sup> The Exchange would also be permitted to list up to ten expirations in Long-Term Index Option Series (“LEAPS”) on the reduced value of the FTSE China 50 index and the index would be eligible for all other expirations permitted for other broad-based index options, e.g., End of Week/End of Month Expirations, Short Term Option Series and

---

<sup>10</sup> See Rules 24.9(d) and 24.9.04. These rules set forth the criteria for listing additional series of the same class as the current value of the underlying index moves. Generally, additional series must be “reasonably related” to the current index value, which means that strike prices must be within 30% of the current index value. Series exceeding the 30% range may be listed based on demonstrated customer interest.

<sup>11</sup> See proposed amendments to Rule 24.9.01(a) adding China 50 options as a class eligible for 2.5 point minimum strike intervals if the strike price is below 200.

<sup>12</sup> See Rule 24.9.01(c).

<sup>13</sup> See proposed amendments to Rule 24.9(a)(2). The Exchange is proposing to allow the listing of up to twelve expiration months at any one time for China 50 options.

Quarterly Option Series.<sup>14</sup>

The trading hours for China 50 options would be from 8:30 a.m. (Chicago time) to 3:15 p.m. (Chicago time).<sup>15</sup>

#### Exercise and Settlement

The proposed China 50 options would expire on the third Friday of the expiring month.<sup>16</sup> Trading in expiring China 50 options would cease at 3:15 p.m. (Chicago time) one business day prior (usually a Thursday) to the day on which the exercise-settlement value is calculated (usually a Friday). When the last trading day/expiration date is moved because of an Exchange holiday or closure, the last trading day/expiration date for expiring options would be the immediately preceding business day.

Exercise would result in delivery of cash on the business day following expiration. China 50 options would be A.M.-settled, in that the expiring contract would cease trading on the business day (usually a Thursday) before the expiration date (generally a Friday).<sup>17</sup> The exercise settlement value would be one-hundredth (1/100th) of the official closing value of the FTSE China 50 Index as reported by FTSE on the last

---

<sup>14</sup> See e.g., Rules 24.9(b) (LEAPS), 24.9(e) (End of Week/End of Month Expirations), 24.9(a)(2)(A) (Short Term Option Series) and 24.9(a)(2)(B) (Quarterly Option Series). See also, proposed Rule 24.9(b)(2)(A)(lxxxvi) (listing LEAPS on the reduced value of the FTSE China 50 Index).

<sup>15</sup> See Rule 24.6.

<sup>16</sup> See proposed Rule 24.9(a)(3)(listing the reduced value FTSE China 50 Index as a European-style index option approved for trading on the Exchange).

<sup>17</sup> See proposed amendment to Rule 24.1.01 to identify FTSE International Limited as the Reporting Authority for the FTSE China 50 Index. As the designated Reporting Authority for the index, the disclaimers set forth in Rule 24.14 (Disclaimers) would apply to FTSE International Limited.

trading day of the expiring contract, which occurs between approximately 3:00 a.m. and 4:00 a.m. (Chicago time).<sup>18</sup>

The exercise settlement amount would be equal to the difference between the exercise-settlement value and the exercise price of the option, multiplied by the contract multiplier (\$100).

If the exercise settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value would be determined in accordance with the rules and bylaws of The Options Clearing Corporation (“OCC”).<sup>19</sup>

#### Position and Exercise Limits

The Exchange proposes to apply the default position limits for broad-based index options to China 50 options. Specifically, the chart set forth in Rule 24.4(a), Position Limits for Broad-Based Index Options, provides that the positions limits applicable to “other broad-based indexes” is 25,000 contracts (standard limit/on the same side of the market) and 15,000 contracts (near-term limit). Pursuant to Rule 24.5, Exercise Limits, the exercise limits for China 50 options would be equivalent to the position limits for China 50 options. All position limit hedge exemptions would apply.

#### Margin

---

<sup>18</sup> See proposed amendment to Rule 24.9(a)(4) to specify that for China 50 options the current index value at expiration is based on the closing prices of the underlying securities on the last trading day. The last day of trading continues to be the business day preceding the last day of trading in the underlying securities prior to expiration because the business day preceding the last day of trading in the underlying securities is (generally) Thursday Chicago time and the last day of trading in the underlying securities is (generally) Friday Chicago time.

<sup>19</sup> See Rule 24.7.

The Exchange proposes that China 50 options be margined as “broad-based index” options, and under CBOE rules, especially, Rule 12.3(c)(5)(A), the margin requirement for a short put or call shall be 100% of the current market value of the contract plus 15% of the “product of the current index group value and the applicable index multiplier,” reduced by any out-of-the-money amount. There would be a minimum margin requirement of 100% of the current market value of the contract plus: 10% of the aggregate put exercise price amount in the case of puts, and 10% of the product of the current index group value and the applicable index multiplier in the case of calls. Additional margin may be required pursuant to Rules 12.3(h) and 12.10 (Margin Required is Minimum).

The Exchange believes that FTSE China 50 Index options are an eligible product for portfolio margining under CBOE Rule 12.4. Accordingly, the Exchange proposes that FTSE China 50 Index options be allowed in portfolio margin accounts. In the portfolio margining construct, a Class Group for the FTSE China 50 Index already exists and it is contained within the China Indexes Product Group. This Product Group is a non-high capitalization, broad-based index Product Group. In portfolio margin accounts, the assumed market moves currently utilized in the China Indexes Product Group (which would not be changing) are -10%/+10%, with a 100% offset of gains and losses between all products in the same Class Group. There is a 90% offset of gains and losses between Class Groups.<sup>20</sup>

#### Exchange Rules Applicable

---

<sup>20</sup> A table detailing the currently existing portfolio margining Product Groups and their component class groups can be found at [http://www.optionsclearing.com/components/docs/risk-management/cpm/cpm\\_parameters.pdf](http://www.optionsclearing.com/components/docs/risk-management/cpm/cpm_parameters.pdf).

Except as modified herein, the rules in Chapters I through XIX, XXIV, XXIVA, and XXIVB would equally apply to China 50 options. China 50 options would be subject to the same rules that currently govern other CBOE index options, including sales practice rules<sup>21</sup>, margin requirements<sup>22</sup> and trading rules.<sup>23</sup>

The Exchange hereby designates China 50 options as eligible for trading as Flexible Exchange Options as provided for in Chapters XXIVA (Flexible Exchange Options) and XXIVB (FLEX Hybrid Trading System).<sup>24</sup>

#### Surveillance and Capacity

The Exchange represents that it has an adequate surveillance program in place for China 50 options and intends to use the same surveillance procedures currently utilized for each of the Exchange's other index options to monitor trading in China 50 options.

The Exchange is a member of the Intermarket Surveillance Group (“ISG”), which “is comprised of an international group of exchanges, market centers, and market regulators.”<sup>25</sup> The purpose of the ISG is to provide a framework for the sharing of information and the coordination of regulatory efforts among exchanges trading securities and related products to address potential intermarket manipulations and trading abuses.

---

<sup>21</sup> See Chapter IX (Doing Business with the Public).

<sup>22</sup> See Chapter XII (Margins).

<sup>23</sup> See e.g., Chapters IV (Business Conduct), VI (Doing Business on the Exchange Floor), Chapter VIII (Market-Makers, Trading Crowds and Modified Trading Systems) and Chapter XXIV (Index Options).

<sup>24</sup> See proposed amendments to Rules 24A.7, Position Limits and Reporting Requirements, and 24B.7, Position Limits and Reporting Requirements, providing that the position limits for FLEX Index options on the FTSE China 50 Index would be equal to the position limits for Non-FLEX options on the Index. Per existing Rules 24A.8, Exercise Limits, and 24B.8, Exercise Limits, the exercise limits for FLEX China 50 options would be equivalent to the position limits for FLEX China 50 options.

<sup>25</sup> See Intermarket Surveillance Group website, available at <https://www.isgportal.org/home.html>.

The ISG plays a crucial role in information sharing among markets that trade securities, options on securities, security futures products, and futures and options on broad-based security indexes. A list identifying the current ISG members is available at: <https://www.isgportal.org/home.html>.

The Exchange is also an affiliate member of the International Organization of Securities Commissions (“IOSCO”), which has members from over 100 different countries. The Hong Kong Securities and Futures Commission, the regulator of the market on which the constituent securities trade, is also a member of IOSCO.<sup>26</sup> A list identifying the current ordinary IOSCO members is available at: <http://www.iosco.org/about/?subsection=membership&memid=1>. Finally, the Exchange has entered into various comprehensive surveillance agreements (“CSAs”) and/or Memoranda of Understanding with various stock exchanges, including the Stock Exchange of Hong Kong. Given the capitalization of the FTSE China 50 Index and the deep and liquid markets for the securities underlying the Index, the concerns for market manipulation and/or disruption in the underlying markets are greatly reduced.

The Exchange notes that FTSE China 50 ETFs, such as the iShares China Large-

---

<sup>26</sup> There are three categories of IOSCO members: ordinary, associate and affiliate. In general, the ordinary members (124) are the national securities commissions in their respective jurisdictions. Associate members (17) are usually agencies or branches of government, other than the principal national securities regulator in their respective jurisdictions that have some regulatory competence over securities markets, or intergovernmental international organizations and other international standard-setting bodies, such as the IMF and the World Bank, with a mission related to either the development or the regulation of securities markets. Affiliate members (64) are self-regulatory organizations, stock exchanges, financial market infrastructures, investor protection funds and compensation funds, and other bodies with an appropriate interest in securities regulation. See IOSCO Fact Sheet located at: <http://www.iosco.org/about/pdf/IOSCO-Fact-Sheet.pdf>.

Cap ETF (FXI), are actively traded products. CBOE also lists options overlying those ETFs (FXI options) and those options are actively traded as well.

CBOE has analyzed its capacity and represents that it believes the Exchange and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle the additional traffic associated with the listing of new series that would result from the introduction of China 50 options. Because the proposal is limited to one new class, the Exchange believes that the additional traffic that would be generated from the introduction of China 50 options would be manageable.

(b) Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>27</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>28</sup> requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change will further the Exchange’s goal of introducing new and innovative products to the marketplace. Currently, the Exchange believes that there is unmet market demand for exchange-listed options listed on this popular cash index. As described above, the iShares China Large-Cap ETF is an actively traded product, as are the options on that ETF. E-Mini FTSE China 50 Index

---

<sup>27</sup> 15 U.S.C. 78f(b).

<sup>28</sup> 15 U.S.C. 78f(b)(5).

Futures are listed for trading on CME. As a result, CBOE believes that China 50 options are designed to provide different and additional opportunities for investors to hedge or speculate on the market risk on the FTSE China 50 Index by listing an option directly on the FTSE China 50 Index.

The Exchanges believes that the FTSE China 50 Index is not easily susceptible to manipulation. The index is a broad-based index and has high market capitalization. The FTSE China 50 Index is comprised of 50 of the largest and most liquid Chinese stocks traded on the SEHK and no single component comprises more than 15% of the index, making it not easily subject to market manipulation.

Additionally, the iShares China Large-Cap ETF is an actively traded product, as are options on that ETF. Because the index has 50 of the largest and most liquid Chinese stocks that trade on the SEHK and trade a large volume with respect to ETFs and options on those ETFs, the Exchange believes that the initial listing requirements are appropriate to trade options on the index. In addition, similar to other broad-based indexes, the Exchange proposes to adopt various maintenance criteria, which would require continual compliance and periodic compliance.

China 50 options would be subject to the same rules that currently govern other CBOE index options, including sales practice rules<sup>29</sup>, margin requirements<sup>30</sup> and trading rules.<sup>31</sup> The Exchange would apply the same default position limits for broad-based index options to China 50 options. Specifically, the applicable position limits would be

---

<sup>29</sup> See Chapter IX (Doing Business with the Public).

<sup>30</sup> See Chapter XII (Margins).

<sup>31</sup> See e.g., Chapters IV (Business Conduct), VI (Doing Business on the Exchange Floor), Chapter VIII (Market-Makers, Trading Crowds and Modified Trading Systems) and Chapter XXIV (Index Options).

25,000 contracts (standard limit/on the same side of the market) and 15,000 contracts (near-term limit). The exercise limit for China 50 options would be equivalent to the position limit for China 50 options. These same position and exercise limits would apply to FLEX trading. All position limit hedge exemptions would apply. The Exchange would apply existing index option margin requirements for the purchase and sale of China 50 options.

The Exchange represents that it has an adequate surveillance program in place for China 50 options. The Exchange also represents that it has the necessary systems capacity to support the new option series.

**Item 4. Self-Regulatory Organization’s Statement on Burden on Competition**

CBOE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Specifically, CBOE believes that the introduction of new cash index options will enhance competition among market participants and will provide a new type of options to compete with domestic products such as FXI options, E-Mini FTSE China 50 Index Future and European-traded derivatives on the FTSE China 50 Index to the benefit of investors and the marketplace.

**Item 5. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

No written comments were solicited or received with respect to the proposed rule change.

**Item 6. Extension of Time Period for Commission Action**

CBOE does not consent to an extension of the time period for Securities and Exchange Commission (the “Commission”) action on the proposed rule change specified in Section 19(b)(2) of the Act.<sup>32</sup>

**Item 7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

Not applicable.

**Item 8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

The proposed rule change is not based on a rule either of another self-regulatory organization or of the Commission.

**Item 9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

**Item 10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

**Item 11. Exhibits**

Exhibit 1. Completed Notice of Proposed Rule Change for publication in the Federal Register.

Exhibit 3. FTSE China 50 Index (1/100<sup>th</sup>) Options Contract Specifications.

Exhibit 5. Proposed rule text.

---

<sup>32</sup> 15 U.S.C. 78s(b)(2).

EXHIBIT 1

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34- ; File No. SR-CBOE-2015-099]

[Insert date]

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing of a Proposed Rule Change to List and Trade Options that Overlie a Reduced Value of the FTSE China 50 Index

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on [insert date], Chicago Board Options Exchange, Incorporated (the “Exchange” or “CBOE”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange is proposing to amend its rules to list and trade options that overlie a reduced value of the FTSE China 50 Index.

The text of the proposed rule change is available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

## **II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

### **A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

#### **1. Purpose**

The purpose of this proposed rule change is to permit the Exchange to list and trade options that overlie a reduced value of the FTSE China 50 Index (“China 50 options”). China 50 options would be A.M., cash-settled contracts with European-style exercise.

#### **FTSE China 50 Index Design, Methodology and Dissemination**

The FTSE China 50 Index is a free float-adjusted market capitalization index that is designed to measure the performance of 50 of the largest and most liquid Chinese stocks (H Shares<sup>3</sup>, Red Chips<sup>4</sup> and P Chips<sup>5</sup>) listed and trading on the Stock Exchange of

---

<sup>3</sup> H Shares are securities of companies incorporated in the People's Republic of China (PRC) and listed on SEHK. They can only be traded by Chinese investors under the Qualified Domestic Institutional Investors Scheme (QDII). There are no restrictions for international investors.

<sup>4</sup> Red Chip companies are incorporated outside the PRC and traded on SEHK. A Red Chip company has at least 30 percent of its shares in aggregate held directly or indirectly by mainland state entities, and at least 50 percent of its revenue or assets derived from mainland China.

<sup>5</sup> P Chip companies are incorporated outside the PRC that trade on SEHK. A P Chip is a company that is controlled by Mainland China individuals, with the establishment and origin of the company in Mainland China and at least 50 percent of its revenue or assets derived from mainland China.

Hong Kong (SEHK).<sup>6</sup>

The FTSE China 50 Index was launched on April 19, 2001 and is calculated by FTSE International Limited (“FTSE”), which is a provider of investment support tools. The FTSE China 50 Index is calculated and published on a real-time basis in Hong Kong dollars during Hong Kong trading hours. The methodology used to calculate the FTSE China 50 Index is similar to the methodology used to calculate the value of other benchmark market-capitalization weighted indexes. Specifically, the FTSE China 50 Index is governed by the FTSE Ground Rules for the FTSE China 50 Index.<sup>7</sup> The level of the FTSE China 50 Index reflects the free float-adjusted market value of the component stocks relative to a particular base date and is computed by dividing the total market value of the companies in the FTSE China 50 Index by the index divisor.

The FTSE China 50 Index is monitored and maintained by FTSE. Adjustments to the FTSE China 50 Index could be made on a daily basis with respect to corporate events and dividends. FTSE reviews the FTSE China 50 Index quarterly (March, June, September and December) according to rules for inserting and deleting companies that “are designed to provide stability in the selection of constituents of the FTSE China 50 Index while ensuring that the [FTSE China 50] Index continues to be representative of the market by including or excluding those companies which have risen or fallen

---

<sup>6</sup> See FTSE China 50 Index fact sheet (dated August 31, 2015) located at: <http://www.ftse.com/Analytics/FactSheets/temp/a5b0d638-068e-41d9-b169-be9838d8227a.pdf>.

<sup>7</sup> Summary and comprehensive information about the FTSE China 50 Index methodology may be reviewed at: [http://www.ftse.com/products/downloads/FTSE\\_China\\_50\\_Index\\_English\\_.pdf?154](http://www.ftse.com/products/downloads/FTSE_China_50_Index_English_.pdf?154)).

significantly.”<sup>8</sup>

Real-time data is distributed at least every 15 seconds while the index is being calculated using FTSE’s real-time calculation engine to Bloomberg L.P. (“Bloomberg”), Thomson Reuters (“Reuters”) and other major vendors. End of day data is distributed daily to clients through FTSE as well as through major quotation vendors, including Bloomberg and Reuters.

The Exchange proposes to base trading in options on a fraction of the full size FTSE China 50 Index. In particular, the Exchange proposes to list FTSE China 50 options that are based on one one-hundredth of the value of the FTSE China 50 Index. The Exchange believes that listing options on the reduced value of the index will attract a greater source of customer business than if options were based on the full value of the FTSE China 50 Index. The Exchange further believes that listing options on a reduced value of the FTSE China 50 Index will provide an opportunity for investors to hedge, or speculate on, the market risk associated with the stocks comprising the FTSE China 50 Index. Additionally, by reducing the value of the FTSE China 50 Index, investors will be able to use this trading vehicle while extending a smaller outlay of capital. The Exchange believes this should attract additional investors, and, in turn, create a more active and liquid trading environment.

#### Initial and Maintenance Listing Criteria

The FTSE China 50 Index meets the definition of a broad-based index as set forth in Rule 24.1(i)(1).<sup>9</sup> In addition, the Exchange proposes to create specific initial and

---

<sup>8</sup> See id.

<sup>9</sup> Rule 24.1(i)(1) defines a broad-based index to mean an index designed to be representative of a stock market as a whole or of a range of companies in unrelated

maintenance listing criteria for options on the reduced value of the FTSE China 50 Index. Specifically, the Exchange proposes to add new Interpretation and Policy .02(a) to Rule 24.2, Designation of the Index, to provide that the Exchange may trade China 50 options if each of the following conditions is satisfied: (1) The index is broad-based, as defined in Rule 24.1(i)(1); (2) Options on the index are designated as A.M.-settled index options; (3) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted; (4) The index consists of 45 or more component securities; (5) Each of the component securities of the index will have a market capitalization of greater than \$100 million; (6) No single component security accounts for more than fifteen percent (15%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than fifty percent (50%) of the weight of the index; (7) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the Index; (8) The Exchange may continue to trade China 50 options after trading in all component securities has closed for the day and the index level is no longer widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors, provided that China 50 futures contracts are trading and prices for those contracts may be used as a proxy for the current index value; (9) The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange's current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index;

---

industries.

and (10) The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

Additionally, the Exchange proposes to add new Interpretation and Policy .02(b) to Rule 24.2, Designation of the Index, to set forth the following maintenance listing standards for China 50 Options: (1) The conditions set forth in subparagraphs .02(a) (1), (2), (3), (4), (7), (8), (9) and (10) must continue to be satisfied. The conditions set forth in subparagraphs .02(a)(5) and (6) must be satisfied only as of the first day of January and July in each year; and (2) The total number of component securities in the index may not increase or decrease by more than ten percent (10%) from the number of component securities in the index at the time of its initial listing. In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

The Exchange believes that A.M. settlement is appropriate for China 50 options due to the nature of the index that encompasses the Chinese market. The components of the FTSE China 50 Index open with the start of trading on the SEHK at approximately 8:30 p.m. (Chicago time) (prior day) and close with the end of trading on the SEHK at approximately 3:00 a.m. (Chicago time) (next day). The closing FTSE China 50 Index level is distributed by FTSE between approximately 3:00 a.m. and 4:00 a.m. (Chicago time) each trading day. Thus, between 8:30 a.m. and 3:15 p.m. (Chicago time) the FTSE China 50 Index level is a static value that market participants can access via data vendors.

As a result, there will not be a current FTSE China 50 Index level calculated and

disseminated while China 50 options would be traded.<sup>10</sup> However, the E-Mini FTSE China 50 Index future contracts based on the FTSE China 50 Index that trades on CME will be trading during this time period.<sup>11</sup> The Exchange believes that the E-Mini FTSE China 50 Index futures prices would be a proxy for the current FTSE China 50 Index level. Therefore, the Exchange believes that China 50 options should be permitted to trade after trading in all component securities has closed for the day and the index level is no longer widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors, provided that E-Mini FTSE China 50 Index future contracts are trading and prices for those contracts may be used as a proxy for the current index value.

Because the FTSE China 50 Index is comprised of 50 of the largest and most liquid Chinese stocks traded on the SEHK, the Exchange believes that the initial listing requirements are appropriate to trade options on this index. In addition, similar to other broad based indexes, the Exchange proposes various maintenance requirements, which require continual compliance and periodic compliance.

#### Options Trading

Exhibit 3 presents contract specifications for China 50 options.

The contract multiplier for China 50 options would be \$100. China 50 options would be quoted in index points and one point would equal \$100. The minimum tick size

---

<sup>10</sup> The trading hours for China 50 options are from 8:30 a.m. (Chicago time) to 3:15 p.m. (Chicago time).

<sup>11</sup> The trading hours for E-Mini FTSE China 50 Index Futures are from 5:00 p.m. (Chicago time) to 4:00 p.m. (Chicago time) the following day, Sunday through Friday. See E-Mini FTSE China 50 Index Future Contract specifications located at: <http://www.cmegroup.com/education/files/e-mini-ftse-china-50-index-futures.pdf>. The Exchange believes E-Mini FTSE China 50 Index Futures are an appropriate proxy for China 50 options.

for series trading below \$3 would be 0.05 (\$5.00) and at or above \$3 will be 0.10 (\$10.00).

Initially, the Exchange would list in-, at- and out-of-the-money strike prices. Additional series may be opened for trading as the underlying index level moves up or down.<sup>12</sup> The minimum strike price interval for China 50 options series would be 2.5 points if the strike price is less than 200. When the strike price is 200 or above, strike price intervals would be no less than 5 points.<sup>13</sup> New series would be permitted to be added up to the fifth business day prior to expiration.<sup>14</sup>

The Exchange would be permitted to list up to twelve near-term expiration months.<sup>15</sup> The Exchange would also be permitted to list up to ten expirations in Long-Term Index Option Series (“LEAPS”) on the reduced value of the FTSE China 50 index and the index would be eligible for all other expirations permitted for other broad-based index options, e.g., End of Week/End of Month Expirations, Short Term Option Series and Quarterly Option Series.<sup>16</sup>

The trading hours for China 50 options would be from 8:30 a.m. (Chicago time) to 3:15 p.m. (Chicago time).<sup>17</sup>

---

<sup>12</sup> See Rules 24.9(d) and 24.9.04. These rules set forth the criteria for listing additional series of the same class as the current value of the underlying index moves. Generally, additional series must be “reasonably related” to the current index value, which means that strike prices must be within 30% of the current index value. Series exceeding the 30% range may be listed based on demonstrated customer interest.

<sup>13</sup> See proposed amendments to Rule 24.9.01(a) adding China 50 options as a class eligible for 2.5 point minimum strike intervals if the strike price is below 200.

<sup>14</sup> See Rule 24.9.01(c).

<sup>15</sup> See proposed amendments to Rule 24.9(a)(2). The Exchange is proposing to allow the listing of up to twelve expiration months at any one time for China 50 options.

<sup>16</sup> See e.g., Rules 24.9(b) (LEAPS), 24.9(e) (End of Week/End of Month Expirations), 24.9(a)(2)(A) (Short Term Option Series) and 24.9(a)(2)(B) (Quarterly Option Series). See also, proposed Rule 24.9(b)(2)(A)(lxxxvi) (listing LEAPS on the reduced value of the FTSE China 50 Index).

<sup>17</sup> See Rule 24.6.

### Exercise and Settlement

The proposed China 50 options would expire on the third Friday of the expiring month.<sup>18</sup> Trading in expiring China 50 options would cease at 3:15 p.m. (Chicago time) one business day prior (usually a Thursday) to the day on which the exercise-settlement value is calculated (usually a Friday). When the last trading day/expiration date is moved because of an Exchange holiday or closure, the last trading day/expiration date for expiring options would be the immediately preceding business day.

Exercise would result in delivery of cash on the business day following expiration. China 50 options would be A.M.-settled, in that the expiring contract would cease trading on the business day (usually a Thursday) before the expiration date (generally a Friday).<sup>19</sup> The exercise settlement value would be one-hundredth (1/100th) of the official closing value of the FTSE China 50 Index as reported by FTSE on the last trading day of the expiring contract, which occurs between approximately 3:00 a.m. and 4:00 a.m. (Chicago time).<sup>20</sup>

The exercise settlement amount would be equal to the difference between the exercise-settlement value and the exercise price of the option, multiplied by the contract multiplier (\$100).

---

<sup>18</sup> See proposed Rule 24.9(a)(3)(listing the reduced value FTSE China 50 Index as a European-style index option approved for trading on the Exchange).

<sup>19</sup> See proposed amendment to Rule 24.1.01 to identify FTSE International Limited as the Reporting Authority for the FTSE China 50 Index. As the designated Reporting Authority for the index, the disclaimers set forth in Rule 24.14 (Disclaimers) would apply to FTSE International Limited.

<sup>20</sup> See proposed amendment to Rule 24.9(a)(4) to specify that for China 50 options the current index value at expiration is based on the closing prices of the underlying securities on the last trading day. The last day of trading continues to be the business day preceding the last day of trading in the underlying securities prior to expiration because the business day preceding the last day of trading in the underlying securities is (generally) Thursday Chicago time and the last day of trading in the underlying securities is (generally) Friday Chicago time.

If the exercise settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value would be determined in accordance with the rules and bylaws of The Options Clearing Corporation (“OCC”).<sup>21</sup>

#### Position and Exercise Limits

The Exchange proposes to apply the default position limits for broad-based index options to China 50 options. Specifically, the chart set forth in Rule 24.4(a), Position Limits for Broad-Based Index Options, provides that the positions limits applicable to “other broad-based indexes” is 25,000 contracts (standard limit/on the same side of the market) and 15,000 contracts (near-term limit). Pursuant to Rule 24.5, Exercise Limits, the exercise limits for China 50 options would be equivalent to the position limits for China 50 options. All position limit hedge exemptions would apply.

#### Margin

The Exchange proposes that China 50 options be margined as “broad-based index” options, and under CBOE rules, especially, Rule 12.3(c)(5)(A), the margin requirement for a short put or call shall be 100% of the current market value of the contract plus 15% of the “product of the current index group value and the applicable index multiplier,” reduced by any out-of-the-money amount. There would be a minimum margin requirement of 100% of the current market value of the contract plus: 10% of the aggregate put exercise price amount in the case of puts, and 10% of the product of the current index group value and the applicable index multiplier in the case of calls.

---

<sup>21</sup> See Rule 24.7.

Additional margin may be required pursuant to Rules 12.3(h) and 12.10 (Margin Required is Minimum).

The Exchange believes that FTSE China 50 Index options are an eligible product for portfolio margining under CBOE Rule 12.4. Accordingly, the Exchange proposes that FTSE China 50 Index options be allowed in portfolio margin accounts. In the portfolio margining construct, a Class Group for the FTSE China 50 Index already exists and it is contained within the China Indexes Product Group. This Product Group is a non-high capitalization, broad-based index Product Group. In portfolio margin accounts, the assumed market moves currently utilized in the China Indexes Product Group (which would not be changing) are -10%/+10%, with a 100% offset of gains and losses between all products in the same Class Group. There is a 90% offset of gains and losses between Class Groups.<sup>22</sup>

#### Exchange Rules Applicable

Except as modified herein, the rules in Chapters I through XIX, XXIV, XXIVA, and XXIVB would equally apply to China 50 options. China 50 options would be subject to the same rules that currently govern other CBOE index options, including sales practice rules<sup>23</sup>, margin requirements<sup>24</sup> and trading rules.<sup>25</sup>

The Exchange hereby designates China 50 options as eligible for trading as

---

<sup>22</sup> A table detailing the currently existing portfolio margining Product Groups and their component class groups can be found at [http://www.optionsclearing.com/components/docs/risk-management/cpm/cpm\\_parameters.pdf](http://www.optionsclearing.com/components/docs/risk-management/cpm/cpm_parameters.pdf).

<sup>23</sup> See Chapter IX (Doing Business with the Public).

<sup>24</sup> See Chapter XII (Margins).

<sup>25</sup> See e.g., Chapters IV (Business Conduct), VI (Doing Business on the Exchange Floor), Chapter VIII (Market-Makers, Trading Crowds and Modified Trading Systems) and Chapter XXIV (Index Options).

Flexible Exchange Options as provided for in Chapters XXIVA (Flexible Exchange Options) and XXIVB (FLEX Hybrid Trading System).<sup>26</sup>

#### Surveillance and Capacity

The Exchange represents that it has an adequate surveillance program in place for China 50 options and intends to use the same surveillance procedures currently utilized for each of the Exchange's other index options to monitor trading in China 50 options.

The Exchange is a member of the Intermarket Surveillance Group (“ISG”), which “is comprised of an international group of exchanges, market centers, and market regulators.”<sup>27</sup> The purpose of the ISG is to provide a framework for the sharing of information and the coordination of regulatory efforts among exchanges trading securities and related products to address potential intermarket manipulations and trading abuses. The ISG plays a crucial role in information sharing among markets that trade securities, options on securities, security futures products, and futures and options on broad-based security indexes. A list identifying the current ISG members is available at: <https://www.isgportal.org/home.html>.

The Exchange is also an affiliate member of the International Organization of Securities Commissions (“IOSCO”), which has members from over 100 different countries. The Hong Kong Securities and Futures Commission, the regulator of the

---

<sup>26</sup> See proposed amendments to Rules 24A.7, Position Limits and Reporting Requirements, and 24B.7, Position Limits and Reporting Requirements, providing that the position limits for FLEX Index options on the FTSE China 50 Index would be equal to the position limits for Non-FLEX options on the Index. Per existing Rules 24A.8, Exercise Limits, and 24B.8, Exercise Limits, the exercise limits for FLEX China 50 options would be equivalent to the position limits for FLEX China 50 options.

<sup>27</sup> See Intermarket Surveillance Group website, available at <https://www.isgportal.org/home.html>.

market on which the constituent securities trade, is also a member of IOSCO.<sup>28</sup> A list identifying the current ordinary IOSCO members is available at: <http://www.iosco.org/about/?subsection=membership&memid=1>. Finally, the Exchange has entered into various comprehensive surveillance agreements (“CSAs”) and/or Memoranda of Understanding with various stock exchanges, including the Stock Exchange of Hong Kong. Given the capitalization of the FTSE China 50 Index and the deep and liquid markets for the securities underlying the Index, the concerns for market manipulation and/or disruption in the underlying markets are greatly reduced.

The Exchange notes that FTSE China 50 ETFs, such as the iShares China Large-Cap ETF (FXI), are actively traded products. CBOE also lists options overlying those ETFs (FXI options) and those options are actively traded as well.

CBOE has analyzed its capacity and represents that it believes the Exchange and the Options Price Reporting Authority (“OPRA”) have the necessary systems capacity to handle the additional traffic associated with the listing of new series that would result from the introduction of China 50 options. Because the proposal is limited to one new class, the Exchange believes that the additional traffic that would be generated from the introduction of China 50 options would be manageable.

---

<sup>28</sup> There are three categories of IOSCO members: ordinary, associate and affiliate. In general, the ordinary members (124) are the national securities commissions in their respective jurisdictions. Associate members (17) are usually agencies or branches of government, other than the principal national securities regulator in their respective jurisdictions that have some regulatory competence over securities markets, or intergovernmental international organizations and other international standard-setting bodies, such as the IMF and the World Bank, with a mission related to either the development or the regulation of securities markets. Affiliate members (64) are self-regulatory organizations, stock exchanges, financial market infrastructures, investor protection funds and compensation funds, and other bodies with an appropriate interest in securities regulation. See IOSCO Fact Sheet located at: <http://www.iosco.org/about/pdf/IOSCO-Fact-Sheet.pdf>.

## 2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the “Act”) and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.<sup>29</sup> Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)<sup>30</sup> requirements that the rules of an exchange be designed to promote just and equitable principles of trade, to prevent fraudulent and manipulative acts, to remove impediments to and to perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change will further the Exchange’s goal of introducing new and innovative products to the marketplace. Currently, the Exchange believes that there is unmet market demand for exchange-listed options listed on this popular cash index. As described above, the iShares China Large-Cap ETF is an actively traded product, as are the options on that ETF. E-Mini FTSE China 50 Index Futures are listed for trading on CME. As a result, CBOE believes that China 50 options are designed to provide different and additional opportunities for investors to hedge or speculate on the market risk on the FTSE China 50 Index by listing an option directly on the FTSE China 50 Index.

The Exchanges believes that the FTSE China 50 Index is not easily susceptible to manipulation. The index is a broad-based index and has high market capitalization. The FTSE China 50 Index is comprised of 50 of the largest and most liquid Chinese stocks

---

<sup>29</sup> 15 U.S.C. 78f(b).

<sup>30</sup> 15 U.S.C. 78f(b)(5).

traded on the SEHK and no single component comprises more than 15% of the index, making it not easily subject to market manipulation.

Additionally, the iShares China Large-Cap ETF is an actively traded product, as are options on that ETF. Because the index has 50 of the largest and most liquid Chinese stocks that trade on the SEHK and trade a large volume with respect to ETFs and options on those ETFs, the Exchange believes that the initial listing requirements are appropriate to trade options on the index. In addition, similar to other broad-based indexes, the Exchange proposes to adopt various maintenance criteria, which would require continual compliance and periodic compliance.

China 50 options would be subject to the same rules that currently govern other CBOE index options, including sales practice rules<sup>31</sup>, margin requirements<sup>32</sup> and trading rules.<sup>33</sup> The Exchange would apply the same default position limits for broad-based index options to China 50 options. Specifically, the applicable position limits would be 25,000 contracts (standard limit/on the same side of the market) and 15,000 contracts (near-term limit). The exercise limit for China 50 options would be equivalent to the position limit for China 50 options. These same position and exercise limits would apply to FLEX trading. All position limit hedge exemptions would apply. The Exchange would apply existing index option margin requirements for the purchase and sale of China 50 options.

---

<sup>31</sup> See Chapter IX (Doing Business with the Public).

<sup>32</sup> See Chapter XII (Margins).

<sup>33</sup> See e.g., Chapters IV (Business Conduct), VI (Doing Business on the Exchange Floor), Chapter VIII (Market-Makers, Trading Crowds and Modified Trading Systems) and Chapter XXIV (Index Options).

The Exchange represents that it has an adequate surveillance program in place for China 50 options. The Exchange also represents that it has the necessary systems capacity to support the new option series.

B. Self-Regulatory Organization's Statement on Burden on Competition

CBOE does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Specifically, CBOE believes that the introduction of new cash index options will enhance competition among market participants and will provide a new type of options to compete with domestic products such as FXI options, E-Mini FTSE China 50 Index Future and European-traded derivatives on the FTSE China 50 Index to the benefit of investors and the marketplace.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Exchange consents, the Commission will:

A. by order approve or disapprove such proposed rule change, or

B. institute proceedings to determine whether the proposed rule change should be disapproved.

#### **IV. Solicitation of Comments**

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2015-099 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2015-099. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m.

and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2015-099 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>34</sup>

Secretary

---

<sup>34</sup> 17 CFR 200.30-3(a)(12).

EXHIBIT 5

(additions are underlined; deletions are [bracketed])

\* \* \* \* \*

**Chicago Board Options Exchange, Incorporated  
Rules**

\* \* \* \* \*

**Rule 24.1. Definitions**

No changes.

***...Interpretations and Policies:***

**.01** The reporting authorities designated by the Exchange in respect of each index underlying an index option contract traded on the Exchange are as follows:

<b>Index</b>	<b>Reporting Authority</b>
(Add the following to the current list:)	
<u>FTSE China 50 Index (1/100<sup>th</sup>).....</u>	<u>FTSE International Limited</u>

**Rule 24.2. Designation of the Index**

No changes.

**...Interpretations and Policies:**

**.01** No changes.

**.02 Initial and Maintenance Listing Criteria for FTSE China 50 Index (1/100<sup>th</sup>) Options (China 50 options).**

**(a) The Exchange may trade China 50 options if each of the following conditions is satisfied:**

**(1) The index is broad-based, as defined in Rule 24.1(i)(1);**

**(2) Options on the index are designated as A.M.-settled index options;**

**(3) The index is capitalization-weighted, price-weighted, modified capitalization-weighted or equal dollar-weighted;**

**(4) The index consists of 45 or more component securities;**

(5) Each of the component securities of the index will have a market capitalization of greater than \$100 million;

(6) No single component security accounts for more than fifteen percent (15%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than fifty percent (50%) of the weight of the index;

(7) Non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the FTSE China 50 Index;

(8) The Exchange may continue to trade China 50 options after trading in all component securities has closed for the day and the index level is no longer widely disseminated at least once every fifteen (15) seconds by one or more major market data vendors, provided that China 50 futures contracts are trading and prices for those contracts may be used as a proxy for the current index value;

(9) The Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange's current Independent System Capacity Advisor (ISCA) allocation and the number of new messages per second expected to be generated by options on such index; and

(10) The Exchange has written surveillance procedures in place with respect to surveillance of trading of options on the index.

(b) The following maintenance listing standards shall apply to each class of index options originally listed pursuant to paragraph .02(a).

(1) The conditions set forth in subparagraphs .02(a) (1), (2), (3), (4), (7), (8), (9) and (10) must continue to be satisfied. The conditions set forth in subparagraphs .02(a)(5) and (6) must be satisfied only as of the first day of January and July in each year;

(2) The total number of component securities in the index may not increase or decrease by more than ten percent (10%) from the number of component securities in the index at the time of its initial listing.

In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act.

\* \* \* \* \*

## **Rule 24.9. Terms of Index Option Contracts**

(a) General.

(1) No changes.

(2) *Expiration Months and Weeks.* Index option contracts may expire at three-month intervals or in consecutive months. The Exchange may list up to six expiration months at any one time, but will not list index options that expire more than twelve months out. Notwithstanding the preceding restriction, the Exchange may list up to twelve expiration months at any one time for any broad-based security index option contracts, including reduced-value and jumbo option contracts, (e.g., DJX, NDX, RUT, SPX and SPXpm) upon which the Exchange calculates a volatility index and for CBOE S&P 500 AM/PM Basis, EAFE<sub>2</sub> [and] EM and China 50 options. For VXST options, the Exchange may list up to 12 near-term VXST option expiration weeks.

(A) – (B) No changes.

(3) “*European-Style Exercise*”. The following European-style index options, some of which are A.M.-settled as provided in paragraph (a)(4), are approved for trading on the Exchange:

(i)- (cviii) No changes.

[(cviv)] (cix) MSCI Emerging Markets Index (P.M.-settled)

(cx) FTSE China 50 Index (1/100<sup>th</sup>)

(4) *A.M.-Settled Index Options.* The last day of trading for non-Volatility A.M.-settled index options shall be the business day preceding the last day of trading in the underlying securities prior to expiration. The last day of trading for Volatility Index, Individual Stock or ETF Based Volatility Index options that measure a 30-day volatility period is governed by subparagraph (5) below and the last day of trading for VXST options is governed by subparagraph (6) below. The current index value at the expiration of an A.M.-settled index option shall be determined, for all purposes under these Rules and the Rules of the Clearing Corporation, on the last day of trading in the underlying securities prior to expiration, by reference to the reported level of such index as derived from the opening prices (closing prices in the case of China 50 options) of the underlying securities on such day, as determined by the market for such security selected by the Reporting Authority pursuant to Interpretation and Policy .09 to Rule 24.9 , except that in the event that the primary market for an underlying security does not open for trading, halts trading prematurely, or otherwise experiences a disruption of normal trading on that day, or in the event that the primary market for an underlying security is open for trading on that day, but that particular security does not open for trading, halts trading prematurely, or otherwise experiences a disruption of normal trading on that day, the price of that security shall be determined, for the purposes of calculating the current index value at expiration, as set forth in Rule 24.7(e). The current index level at the expiration of an A.M.- settled S&P 500 Dividend Index option shall be a special quotation of the S&P 500 Dividend Index as determined by the Reporting Authority pursuant to Interpretation and Policy .09 to Rule 24.9 , except that in the event that the Reporting Authority is unable to calculate a special quotation of the S&P 500 Dividend Index, the special quotation shall be determined, for the purposes of calculating the current index value at expiration, as set forth in Rule 24.7(e).

The following A.M.-settled index options are approved for trading on the Exchange:

(i) – (xcvi) No changes.

(xcvii) FTSE China 50 Index (1/100<sup>th</sup>)

(5) – (6) No changes.

(b) *Long-Term Index Option Series ( "LEAPS" )*.

(1) No changes.

(2) *Reduced-Value LEAPS*

(A) Reduced-value LEAPS on the following stock indices are approved for trading on the Exchange:

(i) – (lxxxv) No changes.

(lxxxvi) FTSE China 50 Index (1/100<sup>th</sup>)

(c) – (e) No changes.

***...Interpretations and Policies:***

**.01** The procedures for adding and deleting strike prices for index options are provided in Rule 5.5 and Interpretations and Policies related thereto, as otherwise generally provided by Rule 24.9, and include the following:

(a) The interval between strike prices will be no less than \$5.00; provided, that in the case of the following classes of index options, the interval between strike prices will be no less than \$2.50:

(i)- (lxxvi) No changes.

(lxxvii) FTSE China 50 Index (1/100<sup>th</sup>), if the strike price is less than \$200.00.

(b) – (m) No changes.

\* \* \* \* \*

**Rule 24A.7. Position Limits and Reporting Requirements**

(a) *FLEX Index Options*

(1) In determining compliance with Rules 4.11, 24.4, 24.4A, 24.4B, and 24.4C FLEX Index Options shall be subject to FLEX contract position limitations fixed by the Exchange in

accordance with the provisions of this Rule.

(2) – (5) No changes.

(6) The position limits for FLEX Index options on the FTSE China 50 Index (1/100<sup>th</sup>), MSCI EAFE Index and [on the] MSCI Emerging Market Index are equal to the position limits for Non-FLEX options on the FTSE China 50 Index (1/100<sup>th</sup>), MSCI EAFE Index and [the] MSCI Emerging Market Index.

(b) – (d) No changes.

\* \* \* \* \*

#### **Rule 24B.7. Position Limits and Reporting Requirements**

(a) FLEX Index Options

(2) – (5) No changes.

(6) The position limits for FLEX Index options on the FTSE China 50 Index (1/100<sup>th</sup>), MSCI EAFE Index and [on the] MSCI Emerging Market Index are equal to the position limits for Non-FLEX options on the FTSE China 50 Index (1/100<sup>th</sup>), MSCI EAFE Index and [the] MSCI Emerging Market Index.

(b) – (d) No changes.

\* \* \* \* \*